



Library Purchasing 2nd Follow – Up Audit No. A2013-03

Issued by the
Internal Audit Office
December 19, 2012

**City of El Paso
Internal Audit Office
Library Purchasing 2nd Follow-Up Audit No. A2013-03**

EXECUTIVE SUMMARY

The Internal Audit Office conducted a 2nd Follow-Up Audit on the Library Purchasing Audit dated September 29, 2010. The original Audit Report contained (3) three findings. Upon completion of the audit fieldwork, we have determined the status of the recommendation for each audit finding as outlined in the table below:

Finding No.	Description of Findings	Status
1	The Library Purchasing function is not getting purchase orders issued for purchases over \$3,000.00 60% of the time. 29 out of 48 transactions did not have purchase orders issued.	Implemented During 1 st Follow-Up
2	The Library Purchasing function is not processing transactions or paying invoices in a timely manner 18% of the time. A review of 17 invoices resulted with three being overdue for a total amount overdue of \$17,521.29 and calculated late fees of \$77.02 due to vendors.	Implemented
3	<p>The Library Purchasing function is not showing evidence of recalculating invoices 47% of the time on transactions <u>over</u> \$3,000.00. Eight out of 17 invoices were not recalculated.</p> <p>The Library Purchasing function is not showing evidence of recalculating invoices 12% of the time on transactions <u>under</u> \$3,000.00. Three out of 25 invoices were not recalculated.</p>	Implemented During 1 st Follow-Up

For a detailed explanation of Finding #2 and the current observation please refer to the appropriate finding contained in the body of this Audit Report.

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BACKGROUND

The *Generally Accepted Government Auditing Standards*, Standard 4.05 and 6.36, and the *International Standards for the Professional Practice of Internal Auditing*, Standard 2500.A1, require a post audit follow-up on all audit recommendations made in order to ascertain that appropriate corrective action is taken to address reported audit findings. The Internal Audit Office has conducted a 2nd Follow-Up Audit of the Library Purchasing Audit Report dated September 29, 2010. The 1st Follow-Up Audit Report is dated June 19, 2012.

AUDIT OBJECTIVES

The audit objective was to determine the status of Finding #2 and the pending recommendation found to be “In Progress” during the 1st Follow-Up Audit.

AUDIT SCOPE

The 2nd Follow-Up Audit was limited to a review of Finding #2 and the recommendation detailed in the “*Library Purchasing Audit*” dated September 29, 2010. The audit period covered the operations of the El Paso Public Library’s purchasing from August 1, 2012 to August 31, 2012.

AUDIT METHODOLOGY

To achieve our audit objectives we:

- Obtained an understanding of the City of El Paso’s Accounts Payable Manual (dated July 2011).
- Selected 10 Library transactions to be reviewed for compliance with the Texas Prompt Payment Law of 1987.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This audit was also conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

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***ORIGINAL FINDINGS, ORIGINAL RECOMMENDATIONS, MANAGEMENT'S RESPONSE TO
ORIGINAL FINDINGS, FIRST FOLLOW-UP OBSERVATION AND STATUS, CURRENT
OBSERVATION, AND STATUS***

Based on the results of follow-up test work, each original finding recommendation will be designated with one of the following four status categories:

<i>Implemented</i>	The finding has been addressed by implementing the original corrective action or an alternative corrective action.
<i>In Progress</i>	The corrective action has been initiated but is not complete.
<i>Not Applicable</i>	The recommendation is no longer applicable due to changes in procedures or changes in technology.
<i>Not Implemented</i>	The recommendation was ignored, there were changes in staffing levels, or management has decided to assume the risk.

Original Finding 2

Transactions Processed In A Timely Manner

Pursuant to Government Code 2251.021, the City of El Paso shall pay interest at the time of payment on goods and services if the payment is overdue. For contracts executed on or after September 1, 1987, a payment is considered overdue on the 31st day after the later of:

- The date the City receives the goods under contract.
- The date the performance of the services under the contract is completed.
- The date the City receives an invoice for the goods or services.

Based on our review, 3 out of 17 invoices (18%) over \$3,000.00 with no purchase orders issued, were not paid in a timely manner.

	Number of invoices overdue	Number of invoices tested	Percent of invoices Overdue	Total Amount Overdue	Interest Due to Vendors
Totals	3	17	18%	\$17,521.29	\$77.02

Recommendation

The Library's Accounts Payable function should comply with the Texas' Prompt Payment Law of 1987. Texas Government Code Sec. 2251.021.

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Management's Response

During FY2010, the Library Business Office was working to cross-train all Office Staff. During the cross-training process, errors did occur related to the timeliness of payment, but these have now been corrected and will not occur in the future.

Responsible Party

Library Business Office

Implementation Date

October 1, 2009 and ongoing.

First Follow-Up Observation

A sample of 30 transactions with 23 unique invoices were tested to determine if the El Paso Public Library is paying invoices in a timely manner. The results of our testing are as follows:

- 15 out of 23 (65%) invoices reviewed were paid in a timely manner.
- 8 out of 23 (35%) invoices were not paid in a timely manner. The invoices were late between 35 and 129 days.
 - Six (6) invoices were not paid in a timely manner due to the purchase orders being closed in error by the Financial Service Department. The reissuing of the purchase orders caused a delay in the payment process.
 - Two (2) invoices were not paid in a timely manner due to the goods/services being received by the Information Technology Department located at City Hall. The invoices were received by Accounts Payable located at City Hall. The Library was unaware of the overdue invoices.
- In Accordance with the Texas' Prompt Payment Law of 1987, the Library owes the following vendors Late Interest Fees for the 8 invoices paid after the 31st day:

Vendor Name	Late Interest Fee
Sigma Solutions Inc.	\$1,578.14
Checkpoint Services Inc.	\$205.55
Facilities Connections Inc.	\$31.76
Total	\$1,815.45

Addition Observations:

The Broadband Technology Opportunity Program (BTOP) Grant invoices are not being processed by the Account Payable function at the Library. The invoices are processed by the Human Resource Analyst for the El Paso Public Library for BTOP. The Human Resource Analyst has not read the Account Payable Manual (dated July 2011).

First Follow-Up Status

In Progress

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Current Observation

A sample of 10 transactions was tested to determine if the El Paso Public Library is complying with the Texas Prompt Payment Law of 1987. The results of our testing are as follows:

- 9 out of 10 (90.0%) invoices reviewed were paid in a timely manner.
- 1 out of 10 (10.0%) invoices reviewed was paid after the 31st day of receipt. The days between the date the invoice was received and the date of the check was 73 days. It was determined that the late payment was due to a delay in the processing of the purchase order.

	Number of invoices overdue	Number of invoices tested	Percent of invoices Overdue	Total Amount Overdue	Interest Due to Vendor
Totals	1	10	10%	\$5400.00	\$27.04

- In accordance with the Texas Prompt Payment Law of 1987 the Library Department owes Value Line Institutional Services a late interest fee of \$27.04.

Status

Implemented

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INHERENT LIMITATIONS

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that procedures may become inadequate due to changes in conditions, or that the degree of compliance with the procedures may deteriorate.

CONCLUSION

We have concluded our audit work on the objectives of the 2nd Follow-Up Audit – Library Purchasing Audit. In accordance with Generally Accepted Government Auditing Standards we are required to conclude on whether the Library Department met the objectives of this audit. The following is our conclusion.

The El Paso Public Library Department's Accounts Payable function is complying with the Texas Prompt Payment Law of 1987 by paying invoices in a timely manner.

We wish to thank the El Paso Public Library's Management and Staff for their assistance and courtesies extended during the completion of this 2nd Follow-Up Audit.

Signature on File

Edmundo S. Calderón, CIA, CGAP, CRMA, MBA
Chief Internal Auditor

Signature on File

Laura Prine
Auditor

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